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DE RUEHBK #2720/01 2541044

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FM AMEMBASSY BANGKOK
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4279
INFO RUEAIIA/CIA WASHINGTON DC IMMEDIATE
RHEFDIA/DIA WASHDC IMMEDIATE
RHEHNSC/NSC WASHDC IMMEDIATE
RUEKJCS/SECDEF WASHINGTON DC IMMEDIATE
RHMMUNA/CDR USPACOM HONOLULU HI IMMEDIATE
RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUEHBJ/AMEMBASSY BEIJING 6316
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RUEHUL/AMEMBASSY SEOUL 4877
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RUEHCHI/AMCONSUL CHIANG MAI 5614

C O N F I D E N T I A L SECTION 01 OF 03 BANGKOK 002720

SIPDIS

NSC FOR PHU

E.O. 12958: DECL: 09/10/2018

TAGS: PGOV PHUM PINR PREL PTER TH

SUBJECT: AMBASSADOR MEETS WITH THAI POLITICAL AND BUSINESS LEADERS IN WAKE OF COURT DECISION AGAINST PM SAMAK

REF: BANGKOK 2691 (AND THE VERDICT IS . . . GUILTY)

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Classified By: Ambassador Eric G. John, REASON 1.4 (B, D)

¶1. (C) Summary: Ambassador John met with political and business leaders in the wake of the September 9 Constitutional Court decision against Prime Minister Samak Sundaravej to ascertain developments and to continue to urge for a peaceful and legal resolution of the current standoff. A consensus appeared to be emerging among the PPP-led coalition September 10 not to renominate Samak as PM, a reversal of the PPP's public position from the day before immediately after the Court announced its civil verdict against Samak. Coalition parties seem to have agreed that the next PM should come from the PPP, though some openly oppose Samak. The PPP itself likewise appeared split September 10, with the northeast faction under Newin Chidchob backing Samak and the northern faction supporting DPM Somchai Wongsawat, ex-PM Thaksin's brother-in-law. A possible compromise is current Minister of Justice Somphong Amornwiwat. Thai and international business leaders remain concerned that the political gridlock is adversely affecting both short- and medium-term prospects in Thailand. The consistent USG message from Washington and Embassy Bangkok that there should be a peaceful and legal solution to the ongoing political crisis appears to be gaining traction.

¶2. (C) Comment: The PPP appears to have realized that Samak is now a far greater liability than asset. His short history with the party, and the likelihood that he will be convicted for libel on September 25 (a criminal offense which would remove him from politics entirely and land him in jail, based on many prior libel convictions that were suspended sentences), means that only a handful of allies now are willing to fight for his premiership for their own short-term gains.

¶3. (C) Comment, cont.: Instead, the party appears more likely to go with Somphong rather than Somchai or PPP Secretary General Suraphong Suebwonglee, two DPMs who carry their own baggage: as Thaksin's brother-in-law, Somchai would be an easy target for the PAD and anti-Thaksin forces; Suraphong faces his own legal action in a lottery case dating back to the Thaksin era. Somphong would offer a bridge between two

PPP camps; he is associated with the northern faction led by Thaksin's sister/Somchai wife Yawopha, but is someone who has been a long-time friend of Newin. Intense political horsetrading likely will precede the final PPP decision, which could yet surprise. Coup rumors have diminished markedly, but remain a remote option should a political solution not emerge. Ambassador and Emboffs will continue to engage at every level to reiterate our message for a peaceful, legal political solution to the current crisis.

End Summary and Comment.

Ground shifts from under Samak

¶4. (SBU) Thailand's political waters swirled with uncertainty September 10 in the wake of the Constitutional Court civil ruling September 9 forcing Samak Sundaravej to resign as PM (reftel). Samak's ruling PPP party spokesmen offered early rhetorical support for Samak to return as PM, saying that both the PPP and coalition parties would continue to back Samak. However, chances for his path back to office seemed to dim September 10, even as House speaker Chai Chidchob confirmed that voting on a new PM would be held September 12.

¶5. (C) PPP Secretary General Suraphong told Ambassador September 10 at Suraphong's Ministry of Treasury office that the PPP would meet September 11 to make a decision about its nomination for the next prime minister. After beginning with: "at this time Samak seems most appropriate for the present situation," Suraphong proceeded to undercut Samak's chances. Acknowledging faction discussions, he said "we are trying to listen to all voices." Samak's reappointment would be very controversial in the media and the opposition, "a

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factor we are taking into account." Suraphong chuckled and nodded when Ambassador raised Samak's likely conviction for libel on September 25, noting: "we are taking that into account as well." Suraphong and other PPP leaders visited Chat Thai (CT) leader Banhan earlier September 10; Banhan had committed CT to a new PPP-led coalition under the PM of PPP's choosing, said Suraphong.

¶6. (C) The Ambassador told Suraphong that the USG position remained clear: we support a peaceful and legal solution to the current crisis. Suraphong agreed, noting that the possibility of a coup apparently was no longer being discussed seriously by the military.

¶7. (C) Puea Paen Din (PPD) party leader Suwit Khunkitti told Ambassador September 10 at PPD headquarters that the PPP appeared split over whom to support as the next PM. Influential northeast faction leader Newin Chidchob, son of the House Speaker, backed Samak, because Newin had "unfinished business" with the current budget that required Samak to return. Northern MPs, under the leadership of Yawopha Wongsawat, sister of ex-PM Thaksin and wife of current DPM Somchai, were backing Somchai. Suwit said that Samak's return would be "a disaster," and saw Somchai as too controversial; "if Samak was (Thaksin's) nominee; Somchai is family."

¶8. (C) Instead, Justice Minister Somphong appeared to be a more logical PPP nominee in Suwit's view, though he warned that Thaksin was still trying to control PPP dynamics behind the scenes. Noting the Supreme Court would announce a decision in the Ratchadapisek land case involving Thaksin on September 17, Suwit said public sentiment regarding Thaksin and his ability to control PPP might shift thereafter. PPD held its faction meeting immediately after Ambassador left; Suwit predicted PPD would endorse a strong "no Samak" statement as part of its conditions to join a new PPP-led coalition. The Ambassador reiterated the same message he had given Suraphong. Suwit agreed, although he noted that the option of a coup could reappear should the current deadlock

remain unresolved.

Political Crisis Impact on Business

¶9. (C) Ambassador and visiting DAS Scot Marciel met with CP executive Sarasin Viraphong September 9 at the Residence to discuss the impact the political crisis has had on business and the economy. Sarasin said that Thai businesses are more concerned in the short and medium term than foreign investors; because Thai businesses can more easily deploy their capital abroad, they are doing so. For instance, CP Group, Thailand's largest multinational built around agribusiness, is putting its investments outside Thailand, including Russia, Indonesia, and Vietnam.

¶10. (C) Separately, an American businessman told Ambassador Sept. 9 that several leading five star hotels are down to 15-20 percent occupancy, with a commensurate drop-off for restaurants and related industries. DPM Suraphong, voicing frustration about the lack of an easy way to resolve the standoff with the PAD, also emphasized the downside to the economy: "if we change the rules every time there is a protest or demonstration, who will want to invest in Thailand?" Thai and international media have suggested the economic losses due to the political crisis may top \$1 billion.

¶11. (C) Sarasin believed that Thai business leaders should be approaching both ruling and opposition leadership to stress the damage the political dispute is doing to the economy, but business leaders seemed reluctant to raise their voices. Ambassador also has urged Thai political leaders in all of his meetings throughout this crisis to consider the adverse effect the political deadlock is having on the Thai business environment. Sarasin also noted that businesses do not see any particular political force as more advantageous to the business environment, suggesting a tough road ahead no matter

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what government emerges.
JOHN